

# Bank Notes

## A Newsletter for Michigan Lenders

June 8, 2007

Issue 144

### 7(a) Loans Experience Recent Decline

The loan program activity for the first eight months of FY 2007 for the Michigan District Office is shown below. As you can see, the number of 7(a) loans this year is virtually the same as last year. This is a dramatic change from our record-setting increases of the past five years. What you can't see from this data is that the number of 7(a) loans has dropped dramatically over the past two months. At the end of March we were 10% ahead of last year's pace!

On the other hand, loan activity in our 504 program has been down all year, and it is almost certain that our string of consecutive annual 504 records will end at five years.

Loans to businesses owned by veterans and women are listed below to call your attention to two areas where we continue to need your help. We greatly appreciate your continuing support of SBA's guaranty loan programs.

	FY 2006	FY 2007	Increase
7(a) Loans	2,268	2,275	--
504 Loans	176	133	-24%
7(a) Dollars	\$268,546,000	\$258,003,000	-4%
504 Dollars	\$88,201,000	\$69,419,000	-21%
Loans to Veterans	137	91	-34%
Loans to Women	393	408	4%

### 7(a) Loan Program Training for Lenders

Although Ken Kolasa, Lender Relations Specialist, is located in SBA's Michigan District Office in Detroit, he has been "on the road" lately to train lenders in our 7(a) Loan Program. To make the most effective use of his time, Ken would like to schedule concentrated periods of time for lenders in various sections of the state, including our friends in the Upper Peninsula. If you are an approved SBA lender, and would like to take advantage of this training opportunity, please contact Ken as soon as possible at (313) 226-6075 ext. 228 or e-mail him at [kenneth.kolasa@sba.gov](mailto:kenneth.kolasa@sba.gov).

Once we have determined the level of interest in such areas as the UP, Ken will contact you to determine the best scheduling for the convenience of everyone concerned. Whether you have two or 20 people interested in learning more about SBA's loan programs, this training will be tailored to meet your needs. Ken looks forward to meeting with you in the near future.

### Bank Notes Distribution

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### E-Tran Servicing Improvements

Lenders who are currently processing SBAExpress, Community Express or PLP loans electronically, via an E-Tran solution, are now able to cancel fully undisbursed loans using the E-Tran servicing module. E-Tran servicing will also enable E-Tran lenders to view the real-time status of their loan portfolio.

To apply for E-Tran servicing permissions, lenders can request access via <https://eweb.sba.gov/gls>. After logging in, lenders should double-click the "Access" button, and then scroll down to the *Electronic Lending - Servicing (ETRAN)* folder and select "View" and "Cancel-only." Permissions should be granted within 24 hours. If you have any questions, please contact [stephen.kucharski@sba.gov](mailto:stephen.kucharski@sba.gov); [glenn.hannon@sba.gov](mailto:glenn.hannon@sba.gov); or [bruce.purdy@sba.gov](mailto:bruce.purdy@sba.gov).

There are several advantages to this new system:

*Eliminates the headaches associated with faxing documents back and forth to the Servicing Center.*

*Expedites the process by getting immediate cancellations - this in turn places the funds back into the SBA General Account to be loaned to another applicant and gets our refund of the cancelled loan processed immediately.*

*Streamlines SBA's internal process, as one person will be able to handle the cancellation process from start to finish. The agency currently has one associate complete and fax the Servicing Request and another associate that tracks the activity and pays the servicing fees.*

### Correct Loan Data

The SBA places a priority on helping exporters, women, minority, and veteran-owned small businesses. In order to gauge the success of providing these groups with increased access to capital, the SBA relies on the information provided by our lending partners. It is vital that the information in SBA databases be complete and accurate.

SBA has streamlined the loan approval process and automated the data entry process. "E-Tran" allows the data provided by participant lenders to be transferred directly into SBA's database, avoiding transcription errors. This straight-line approach further heightens the need for this information to be accurate and complete.

While many businesses that receive SBA financing are in the aforementioned priority markets,

demographic data submitted to SBA does not always reflect reality. For example, in one instance a business had been so active in export markets that it had received the state's "E-award" (for excellence in exporting), but the SBA 7(a) loan data submitted to SBA by the participant lender indicated "no" for export activity!

Exporting is defined as any sale of goods or services to a foreign buyer. Sales to Canada are export sales. Companies with retail Web sites that ship product to export markets are also engaged in exporting. Keep in mind that 70% of all exporters have fewer than 20 employees. It is essential that the export status of all of our loan customers be determined and that this information is properly transmitted to SBA. Your help in making SBA's database as complete and accurate as possible is greatly appreciated.

### Publication of Final Regulations for Liquidation and Debt Collection Activities

On April 12, 2007 SBA published in the Federal Register final regulations addressing servicing, liquidation and guaranty purchase activities for 7(a) lenders and Certified Development Companies. These regulations were published as proposed rules on November 3, 2005 (70 FR 66800) with an initial comment period that ended on January 6, 2006. The comment period was later reopened and extended to February 24, 2006. A number of comments were received, as indicated in the "comment summary" to the final regulations, and the regulations were revised to address these comments. You may access the regulations at <http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/E7-6946.htm>.

The final rule was effective May 14, 2007. Key provisions are listed in SBA Information Notice 5000-1017, which is available at: [www.sba.gov/localresources/district/mi/mi\\_lender-info\\_notices.html](http://www.sba.gov/localresources/district/mi/mi_lender-info_notices.html). Lenders who are servicing and/or liquidating SBA loans need to review this notice.



### Lenders Supporting the 504 Loan Program

For the first eight months of FY 2007, under the 504 Loan Program we have approved 133 loans worth \$69.4 million. These loans have been supported by 53 different third party lenders. These are the lenders which supported five or more 504 loans:

<b>Lender</b>	<b># of Loans</b>
Fifth Third Bank	15
Chase	10
Citizens Bank	7
Comerica	6
Macatawa Bank	6
Zions First National Bank	6
Mercantile Bank	5

SBA's 504 Loan Program provides long-term, fixed rate, subordinated financing for acquisition and/or renovation of capital assets, including land, buildings, and equipment. With 504 financing, the typical financial structure consists of 10% from the borrower, 50% from the commercial lender, and 40% from the Certified Development Company (CDC). The CDC portion is provided by 100% SBA guaranteed debentures. Recently, the fixed rate on the 20 year debenture was about 6.3%.

For more information, please contact one of the CDCs listed in the next column. These organizations specialize in packaging 504 loans and will manage the entire process to make sure it goes smoothly.

### Michigan Certified Development Companies

#### **Economic Development Foundation-Certified**

Grand Rapids, (888) 330-1776

#### **Lakeshore 504 - South Office**

Holland, (616) 392-9633

#### **Lakeshore 504 - North Office**

Grand Haven, (616) 846-3153

#### **Metropolitan Growth and Development Corporation**

Detroit, (313) 224-0820

#### **Michigan Certified Development Corporation**

Lansing, (517) 886-6612

#### **Oakland County Business Finance Corporation**

Pontiac, (248) 858-0879

#### **SEM Resource Capital**

Livonia, (734) 464-4418

#### **SEM Resource Capital**

Grand Rapids, (616) 242-5153

### 2008 Michigan SBA Lenders' Conference

Mark your Calendar! SBA's 10th Annual Michigan SBA Lenders' Conference will be held March 20, 2008 at the Kellogg Center at Michigan State University in East Lansing. Cosponsored by the Michigan Small Business and Technology Development Center, the conference will feature training sessions on a wide range of topics for a variety of bank personnel.

The much anticipated SBA's Lender awards will be presented during lunch.

If you have any suggestions for this conference, please do not hesitate to call Richard Temkin or Ken Kolasa at (313) 226-6075.